

**Minnesota River Valley Transit
Le Sueur, Minnesota**

Financial Statements

December 31, 2017



**Minnesota River Valley Transit
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**Minnesota River Valley Transit
Joint Powers Board and Administration
December 31, 2017**

Board Members

| | |
|-----------------|-----------------------------|
| Susan Carlin | Chair – City of Saint Peter |
| Stephen Grams | City of Saint Peter |
| Mark Huntington | City of Le Sueur |
| Kevin Wilke | City of Le Sueur |

Administration

| | |
|----------------|-------------------------------------|
| Todd Prafke | Administrator – City of Saint Peter |
| Jasper Kruggel | Administrator – City of Le Sueur |

Independent Auditor's Report

Administrative Board
Minnesota River Valley Transit
Le Sueur, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Minnesota River Valley Transit, Le Sueur, Minnesota, as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the Transit's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Transit's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Transit's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Minnesota River Valley Transit, Le Sueur, Minnesota, as of December 31, 2017, the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Omitted Required Supplementary Information

The Transit has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in cursive script that reads "BerganKDV Ltd." followed by a period.

Minneapolis, Minnesota
July 20, 2018

FINANCIAL STATEMENTS

**Minnesota River Valley Transit
Statement of Net Position
December 31, 2017**

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Accounts receivable | \$ 17,426 |
| Due from other governments | 252,718 |
| Capital assets being depreciated | |
| Vehicles and equipment (net of accumulated depreciation) | <u>302,592</u> |
| Total assets | <u><u>\$ 572,736</u></u> |
| Liabilities | |
| Cash overdraft | \$ 28,468 |
| Accounts payable | 6,615 |
| Due to other governments | <u>57,420</u> |
| Total liabilities | <u>92,503</u> |
| Net Position | |
| Net investment in capital assets | 302,592 |
| Unrestricted | <u>177,641</u> |
| Total net position | <u>480,233</u> |
| Total liabilities and net position | <u><u>\$ 572,736</u></u> |

**Minnesota River Valley Transit
Statement of Activities
Year Ended December 31, 2017**

| Functions/Programs | Expenses | Charges for Services | Program Revenue Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|------------------------------------|-------------------|-------------------------|---|--|--|
| | | | | | Governmental Activities |
| Governmental activities Transit | \$ 802,121 | \$ 141,244 | \$ 795,350 | \$ 345,760 | \$ 480,233 |
| Total governmental activities | <u>\$ 802,121</u> | <u>\$ 141,244</u> | <u>\$ 795,350</u> | <u>\$ 345,760</u> | 480,233 |
| Change in net position | | | | | 480,233 |
| Net position - beginning | | | | | <u>-</u> |
| Net position - ending | | | | | <u>\$ 480,233</u> |

See notes to financial statements.

**Minnesota River Valley Transit
Balance Sheet - Governmental Funds
December 31, 2017**

| | <u>General Fund</u> |
|--------------------------------------|---------------------|
| Assets | |
| Accounts receivable | \$ 17,426 |
| Due from other governments | 252,718 |
| Total assets | \$ 270,144 |
| Liabilities | |
| Cash overdraft | \$ 28,468 |
| Accounts payable | 6,615 |
| Due to other governments | 57,420 |
| Total liabilities | 92,503 |
| Deferred inflows of resources | |
| Unavailable revenue - grants | 190,701 |
| Fund Balances | |
| Unassigned | (13,060) |
| Total liabilities and fund balance | \$ 270,144 |

**Minnesota River Valley Transit
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2017**

| | |
|--|--------------------------|
| Total fund balances - governmental funds | \$ (13,060) |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. | |
| Cost of capital assets | 359,467 |
| Less accumulated depreciation | (56,875) |
| Deferred receivables are not available to pay for current expenditures and, therefore, are deferred in the funds. | |
| Deferred grants receivable | <u>190,701</u> |
| Total net position - governmental activities | <u><u>\$ 480,233</u></u> |

**Minnesota River Valley Transit
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2017**

| | <u>General Fund</u> |
|-----------------------------|---------------------|
| Revenues | |
| Intergovernmental | \$ 552,681 |
| Charges for services | 141,244 |
| Refunds and reimbursements | 67,748 |
| Miscellaneous | 44,472 |
| Total revenues | 806,145 |
| Expenditures | |
| Current | |
| Salaries and benefits | 584,749 |
| Leases and rentals | 34,874 |
| Transit expenses | 125,364 |
| Capital outlay | |
| Vehicle | 74,218 |
| Total expenditures | 819,205 |
| Net change in fund balances | (13,060) |
| Fund Balances | |
| Beginning of year | - |
| End of year | \$ (13,060) |

**Minnesota River Valley Transit
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2017**

Net change in fund balances - governmental funds \$ (13,060)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|-----------------------|----------|
| Capital outlays | 73,959 |
| Depreciation expense | (56,875) |
| Capital contributions | 285,508 |

Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|-----------------|---------|
| Deferred grants | 190,701 |
|-----------------|---------|

| | |
|--|------------|
| Change in net position - governmental activities | \$ 480,233 |
|--|------------|

**Minnesota River Valley Transit
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2017**

| | Budgeted Amounts Original and Final | Actual Amounts | Variance with Final Budget - Over (Under) |
|----------------------------|--|-------------------|---|
| Revenues | | | |
| Intergovernmental | \$ - | \$ 552,681 | \$ 552,681 |
| Charges for services | 143,826 | 141,244 | (2,582) |
| Other revenue | - | 112,220 | 112,220 |
| Total revenues | 143,826 | 806,145 | 662,319 |
| Expenditures | | | |
| Personnel | 624,901 | 584,749 | (40,152) |
| Administrative | 55,000 | 34,838 | (20,162) |
| Vehicle | 141,280 | 144,958 | 3,678 |
| Operations | 25,875 | 33,317 | 7,442 |
| Insurance | 19,000 | 21,343 | 2,343 |
| Taxes and fees | 200 | - | (200) |
| Total expenditures | 866,256 | 819,205 | (47,051) |
| Net change in fund balance | \$ (722,430) | (13,060) | \$ 709,370 |
| Fund Balance | | | |
| Beginning of year | | - | |
| End of year | | \$ (13,060) | |

Minnesota River Valley Transit Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Minnesota River Valley Transit (the "Transit") was established in 2017 through a joint powers agreement, combining the public transit operations of the City of Saint Peter and the City of Le Sueur. The Transit is governed by four board members who are appointed by the member entities. The Joint Powers Board consists of two member representatives from the City Council of each city. The joint powers agreement shall continue in force until a party gives the other contracting parties 12 months written notice of its termination, delivered to the City Administrator of each city. The termination will be effective on January 1st of the next calendar year.

The purpose of the Transit is to provide a coordinated service delivery and funding source for public transportation throughout the City of Le Sueur and the City of Saint Peter.

For financial reporting purposes, the Transit's financial statements are not included within the member Cities' financial statements because the Transit is not a component unit of the Cities. In addition, the Transit has no component units.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Transit considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

C. Budgetary Data

The Joint Powers Board prepares an annual budget presented to each member unit of government for review and comment no later than July 31 of each year. The Joint Powers Board considers any such comments received by a member unit of government in good faith, however the Joint Powers Board shall have exclusive and final decision making authority with respect to its budget. The budget is effective January 1 of each year and is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**Minnesota River Valley Transit
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash balances of the Transit's funds are combined (pooled) and held by the City of Le Sueur on behalf of the Transit and are invested to the extent available in various investments authorized by Minnesota Statutes. None of these amounts represent deposits with financial institutions. As such, the Transit does not have a formal deposit or investment policy.

NOTE 3 – CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

| | |
|----------------------------|-----------|
| Land and land improvements | \$ 25,000 |
| Other improvements | 50,000 |
| Buildings | 50,000 |
| Building improvements | 50,000 |
| Machinery and equipment | 5,000 |
| Vehicles | 5,000 |
| Infrastructure | 100,000 |
| Other assets | 5,000 |

**Minnesota River Valley Transit
Notes to Financial Statements**

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|------------------------------------|--------------|
| Land improvements | 15-20 |
| Buildings and improvements | 10-40 |
| System improvements/infrastructure | 15-50 |
| Machinery and equipment | 5-15 |
| Vehicles | 5-15 |
| Other assets | 5-15 |

Capital asset activity for the year ended December 31, 2017, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Governmental activities | | | | |
| Capital assets being depreciated | | | | |
| Vehicles and equipment | \$ - | \$ 359,467 | \$ - | \$ 359,467 |
| Less accumulated depreciation for | | | | |
| Vehicles and equipment | - | 56,875 | - | 56,875 |
| Governmental activities capital assets, net | <u>\$ -</u> | <u>\$ 302,592</u> | <u>\$ -</u> | <u>\$ 302,592</u> |

NOTE 4 – RISK MANAGEMENT

The Transit is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In order to protect against these risks of loss, the Transit purchases commercial insurance through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool. This pool currently operates as a common risk management and insurance programs for municipal entities. The Transit pays an annual premium to the League for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The Transit is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amounts of these deductibles are considered immaterial to the financial statements.

**Minnesota River Valley Transit
Notes to Financial Statements**

NOTE 5 – RELATED PARTIES

The Transit utilizes personnel assigned to the Transit by certain members of its member agencies. Under the terms of the joint powers agreement established by the Transit, the Joint Powers Board may enter into interagency agreements or otherwise provide for the establishment, funding, coordination, administration, financial reporting, human resource management and operation of Public Transportation Services. The value of the contributed services not reimbursed to the member agencies has not been recognized in the statement of revenues, expenditures, and changes in fund balances – statement of activities.

NOTE 6 – COMMITMENTS

On December 15, 2016, the Transit (lessee) signed a lease for use of the transit joint services building with the City of Le Sueur (lessor). The term of this lease shall commence on January 1, 2017, and terminate when indicated by either party providing a 120 day notice.

Lessee shall pay to lessor as rent under this lease agreement, the sum of \$20,563 per year to be paid in equal monthly installments commencing January 1, 2017, in the amount of \$1,714 with succeeding installments in like amount to be due monthly thereafter during the term of this lease. Any installment of rent accruing under the provisions of this lease that shall not be paid when due, shall require lessee at lessor's option to pay in addition to such rent, a late payment penalty of 5% of such rental payment. During 2017, the Transit paid \$20,563 relating to this lease agreement.

On November 9, 2016, the Transit (lessee) signed a lease for use of the city hall building with the City of Saint Peter (lessor). The term of this lease shall commence on January 1, 2017, and terminate when indicated by either party providing a 120 day notice.

Lessee shall pay to lessor as rent under this lease agreement, the sum of \$14,310 per year to be paid in equal monthly installments commencing January 1, 2017, in the amount of \$1,193 with succeeding installments in like amount to be due monthly thereafter during the term of this lease. Any installment of rent accruing under the provisions of this lease that shall not be paid when due, shall require lessee at lessor's option to pay in addition to such rent, a late payment penalty of 5% of such rental payment. During 2017, the Transit paid \$14,310 relating to this lease agreement.

Report on Legal Compliance

Independent Auditor's Report


Administrative Board
Minnesota River Valley Transit
Le Sueur, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of the Minnesota River Valley Transit, Le Sueur, Minnesota, as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the Transit's basic financial statements, and have issued our report thereon dated July 20, 2018.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for deposits and investments and public indebtedness because all deposits are held by another entity and the Transit does not have any outstanding debt.

In connection with our audit, nothing came to our attention that caused us to believe that the Minnesota River Valley Transit failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Transit's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



Minneapolis, Minnesota
July 20, 2018